

**DEPARTMENT OF STATE REVENUE**

**LETTER OF FINDINGS NUMBER: 01-0307P**

**Use Tax**

**Calendar Years 1998, 1999, and 2000**

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**ISSUE(S)**

**I. Tax Administration – Penalty**

**Authority:** IC 6-8.1-10-2.1(d); 45 IAC 15-11-2

Taxpayer protests the penalty assessed.

**STATEMENT OF FACTS**

Taxpayer manufactures puzzles and games.

Upon audit it was found that the taxpayer failed to self assess use tax on clearly taxable items such as construction materials, subscriptions, publications, raw materials transportation equipment, repair and maintenance items, managerial, sales, administrative, and other non-production items, and had no use tax accrual system in place. Taxpayer was also given credit for tax exempt items upon which sales tax was paid at point of purchase.

In a letter dated November 6, 2001, taxpayer protests the penalty assessed and states it has made corrections, the purchases were immaterial in comparison to the total volume of purchases, and listed several other reasons why the penalty should not be assessed.

**I. Tax Administration – Penalty**

**DISCUSSION**

Taxpayer protests the penalty assessed and states it paid sales tax on most of the invoices and missed a small percentage. The largest item not taxed was for the purchase of fabricated building parts which it believed was not taxable.

The audit indicates that the taxpayer had no use tax accrual system in place and taxpayer made no attempt to self assess the tax. Taxpayer has not provided reasonable cause to allow a penalty waiver.

**FINDING**

Taxpayer's protest is denied.